



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, MARCH 20, 2003
WWW.USDOJ.GOV

AT
(202) 616-2777
TDD (202) 514-1888

OHIO SCRAP METAL DEALER PLEADS GUILTY TO SUPPLIER ALLOCATION AND CONSPIRACY CHARGES

Company Agrees to Pay More than \$600,000 in Criminal Fines and Restitution

WASHINGTON, D.C. – An Elyria, Ohio, industrial scrap metal dealer today pleaded guilty to allocating suppliers of scrap metal in Northeast Ohio and conspiring to transport fraudulently obtained goods across state lines and to commit mail fraud, the Department of Justice announced. The dealer, Bluestar Metal Recycling Co. (Bluestar), has also agreed to pay a criminal fine of \$372,836 and restitution of \$302,164, which is subject to Court approval.

In a two-count felony case filed under seal on March 3, 2003, in U.S. District Court in Cleveland and unsealed today, Bluestar was charged with participating in a conspiracy to suppress and eliminate competition in the purchase of ferrous and nonferrous scrap metal in Northeast Ohio, from December 1993 through October 2001, by allocating suppliers. Bluestar was also charged with one count of conspiring to transport fraudulently obtained goods in interstate commerce and using mail fraud to further the conspiracy, from 1986 through October 2001.

Industrial scrap metal dealers typically buy excess ferrous and nonferrous scrap metal from businesses such as tool and die makers, stamping plants, mills and foundries. They collect, sort, and process this residual scrap metal, and then resell it to customers, such as steel mills.

Bluestar has agreed to cooperate in the ongoing investigation of the scrap metal industry.

Under count one, Bluestar and co-conspirators carried out the conspiracy by participating in meetings and conversations to discuss allocating suppliers, agreeing to allocate suppliers, and agreeing not to compete against each other in the purchase of scrap metal.

According to count two, Bluestar and one of its officers conspired to under-weigh loads of scrap metal purchased from certain scrap metal suppliers, which resulted in the suppliers being paid less than what their scrap was worth. The conspirators then mailed to the defrauded scrap metal suppliers invoices and checks that were based on the under-weighed amounts and transported the fraudulently obtained scrap metal in interstate commerce. Additionally, they sent invoices and other communications to, and received payments from, out-of-state customers through the United States mail, knowing the invoices were based on the under-weighed amounts and that the payments were based on the invoices for the fraudulently obtained scrap metal that Bluestar shipped interstate.

Bluestar is charged with allocating suppliers in violation of Section One of the Sherman Act, which carries a maximum fine of \$10 million for a corporation. Bluestar is also charged with conspiracy in violation of Section 371 of Title 18 of the United States Code, which carries a maximum fine of \$500,000 for a corporation. The maximum fine for either charge may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Today's charges resulted from an ongoing investigation of the scrap metal industry being conducted by the Antitrust Division's Cleveland Field office, with assistance from the Cleveland Office of the Federal Bureau of Investigation.

Anyone with information concerning bid rigging, territorial or customer allocation or related offenses in the scrap metal industry should contact the Cleveland Field Office of the

- 3 -

Antitrust Division at (216) 522-4070 or the Federal Bureau of Investigation's Cleveland office at (216) 622-6767.

###

03-171